

Message Text

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ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 EB-07 AF-08 ARA-06 EUR-12 IO-13
L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00
AID-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 OIC-02
SIL-01 STR-04 TRSE-00 CIEP-01 CEA-01 /107 W
----- 026277 /46

R 161018Z DEC 76
FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 6757
INFO AMEMBASSY COLOMBO
AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR

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E.O. 11652: N/A
TAGS: UNCTAD, EPAP
SUBJECT: UNCTAD MEETING ON RUBBER

REF: STATE 301160

SUMMARY. THIS MESSAGE OFFERS POST'S COMMENTS ON QUESTIONS RAISED
PARAS 2-6 REFTEL. END SUMMARY.

1. EMBOFF 12/15 DISCUSSED POINTS RAISED REFTEL WITH RIDZWAN
DHAFHIR, GOS REPRESENTATIVE TO ANRPC AND TRADE DEPARTMENT
DIRECTOR.

2. ACCORDING TO RIDZWAN, INTENTION OF SINGNATORIES OF RUBBER
PRICE STABILIZATION AGREEMENT IS THAT CONSUMER NATIONS CAN
JOIN IN, IF THEY WISH; IT IS NOT CONCEIVED OF AS A PRODUCER
CARTEL. TERMS AND CONDITIONS FOR CONSUMER COUNTRY PARTICIPATION
HAVE NOT YET BEEN FORMULATED. THESE WILL BE SET BY THE NEW
ADMINISTERING BODY TO BE LOCATED IN KUALA LUMPUR, THE PRICE
STABILIZATION COUNCIL (PSC), MADE UP INITIALLY, OF COURSE,
OF ONLY ANRPC COUNTRY REPRESENTATIVES. RIDZWAN SAID THAT IN-
TENTION IS FOR PSC TO MEET WITHIN THREE MONTHS OF THE SIGNING
OF THE AGREEMENT.

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3. TYPE OF COOPERATION SOUGHT FROM CONSUMERS WOULD ALSO HAVE

TO BE DISCUSSED FIRST BY PSC. HOWEVER, PSC WOULD ALMOST CERTAINLY EXPECT JOINING CONSUMER NATIONS TO MAKE CONTRIBUTION ("DONATION") TOWARDS BUFFER STOCK FINANCING.

4. RIDZWAN SAID THAT THE ROLE OF UNCTAD WAS ALSO NOT DISCUSSED IN ANY DETAIL AT JAKARTA, BUT PRODUCERS ARE OF COURSE INTERESTED IN WHAT UNCTAD CAN DO FOR THEM, PARTICULARLY IN TERMS OF FINANCING FROM COMMON FUND. ACCORDING TO RIDZWAN, NEXT STEP IS FOR PSC TO SUPPLY UNCTAD WITH A COPY OF THE AGREEMENT, ALONG WITH A PAPER(WHICH RIDZWAN SUGGESTED MALAYSIA WOULD DRAFT) OUTLINING WHAT THE RUBBER PRICE STABILIZATION AGREEMENT IS MEANT TO DO, AND HOW IT MIGHT WORK IN CONJUNCTION WITH THE UNCTAD INTEGRATED PROGRAM OF COMMODITY FINANCING. (NOTE: INDUSTRY SOURCES HERE SPECULATE THAT MUSA HITAM AND OTHER ANRPC LEADERS HAVE BEEN LED BY UNCTAD TO BELIEVE THAT SOME UNCTAD FUNDS WILL BE FORTHCOMING. ANRPC REGARDS UNCTAD FUNDS AS A GOOD THING, BUT DOESN'T WANT UNCTAD INVOLVED IN RUNNING THE PSC.)

5. ACCORDING TO RIDZWAN, SOME ANRPC GOVERNMENTS MUST STILL RATIFY THE AGREEMENT. MALAYSIA AND SINGAPORE NEED NOT RATIFY, AS THEIR MINISERS HAD POWER TO SIGN, BUT SOME OF THE OTHERS MUST SUBMIT AGREEMENT TO THEIR PARLIAMENTS. THIS SHOULD NOT CAUSE UNDUE DELAY, WITH POSSIBLE EXCEPTION OF THAILAND, WHERE RATIFICATION MIGHT TAKE "A MONTH OR TWO". AFTER RATIFICATION, AGREEMENT WILL BE REGISTERED WITH UN.

6. ACCORDING TO RIDZWAN, THE CONTEMPLATED INITIAL PRICE BANDS WERE A FLOOR OF M\$1.45 AND A CEILING OF M\$1.65. INDUSTRY SOURCES FEEL THIS IS UNREALISTIC AND WILL BE STEPPED UP, RUBBER PRICE IS NOW M\$1.95. A BAND OF M\$1.70 TO M\$2.00 SEEMS CLOSER TO THE MARK.

7. SINGAPORE HAS NO PROBLEMS WITH THE ADEQUACY OF THE 100,000 MT BUFFER STOCK. THE SMALLER THE BUFFER, THE SMALLER SINGAPORE'S FINANCING OBLIGATION. INDUSTRY SOURCES ALSO FEEL THAT THE PRICE STABLIZING GOALS OF THE PRODUCING COUNTRIES CAN BE ACCOMPLISHED WITH PROPOSED BUFFER STOCK. THE BIG "IF" IN THIS, THEY STRESS, IS WHETHER OR NOT PRODUCTION CAN BE REGULATED, PARTICULARLY IN INDONESIA. RIDZWAN ALSO SPECULATED LIMITED OFFICIAL USE

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THAT SOME OF THE PRODUCERS MIGHT INDEED HAVE PROBLEMS IN ENFORCEMENT OF THE SUPPLY RATIONALIZATION SCHEME, IN VIEW OF THE LARGE NUMBER OF SMALL HOLDERS.

8. REGARDING IRSG, RIDZWAN SAID THAT BATEMAN COULD HAVE ATTENDING RECENT ANRPC OFFICIALS' MEETING IN JAKARTA, BUT DUE TO A "MISUNDERSTANDING", FAILED TO DO SO, AND RIDZWAN ONLY SAW BATEMAN BRIEFLY AT THE SIGNING CERMONY.

9. U.S. CONSUMER REPRESENTATIVE SPOKESMEN IN SINGAPORE GENERALLY ARE OPTIMISTIC THAT ANRPC WILL BE REASONABLY COGNIZANT OF CONSUMER INTERESTS IN IMPLEMENTING PRICE STABILIZATION SCHEME. HOWEVER, THEY ARE AWARE THAT THEY CAN HAVE LITTLE FORMAL VOICE IN PSC DECISIONS WITHOUT CONTRIBUTING TO FINANCING, AND AT THIS JUNCTURE THEY ARE NOT VERY INTERESTED IN PUTTING UP MONEY.

10. WHILE NOTHING OFFICIAL HAS BEEN SAID, THE PRIVATE SECTOR RUMOR IS THAT SINGAPORE'S CONTRIBUTION TO THE STABILIZATION FUND WILL BE 50 PERCENT CASH, 50 PERCENT RUBBER.
HOLDRIDGE

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